



Early Journal Content on JSTOR, Free to Anyone in the World

This article is one of nearly 500,000 scholarly works digitized and made freely available to everyone in the world by JSTOR.

Known as the Early Journal Content, this set of works include research articles, news, letters, and other writings published in more than 200 of the oldest leading academic journals. The works date from the mid-seventeenth to the early twentieth centuries.

We encourage people to read and share the Early Journal Content openly and to tell others that this resource exists. People may post this content online or redistribute in any way for non-commercial purposes.

Read more about Early Journal Content at <http://about.jstor.org/participate-jstor/individuals/early-journal-content>.

JSTOR is a digital library of academic journals, books, and primary source objects. JSTOR helps people discover, use, and build upon a wide range of content through a powerful research and teaching platform, and preserves this content for future generations. JSTOR is part of ITHAKA, a not-for-profit organization that also includes Ithaka S+R and Portico. For more information about JSTOR, please contact support@jstor.org.

WHY MANUFACTURERS WANT TARIFF REVISION.

BY H. E. MILES, CHAIRMAN OF THE TARIFF COMMITTEE OF THE
NATIONAL ASSOCIATION OF MANUFACTURERS.

IN a recent issue of THE NORTH AMERICAN REVIEW, a contributor observes:

“No feature of the President’s policies is more widely misunderstood than his attitude on the tariff. He has long believed that the time has arrived when a revision of the Dingley Tariff Act is advisable. On a number of occasions he has summoned the leaders of his party and sought to impress on them the advisability of tariff readjustment, only to learn that the determined opposition of Speaker Cannon and his associates in the House constituted an insuperable obstacle.”

The assurance of the President’s interest in the subject is gratifying to that great body of Americans who feel that the time has come when tariff revision is as inevitable as it is desirable. It is this conviction which has brought into existence the Tariff Committee of the National Association of Manufacturers.

It is undeniable, however, that, keen as is the interest in their investigations and propaganda, understanding of and sympathy with their aims have been far from universal. This partial misunderstanding has arisen, probably, from the apprehension that what the Committee is working for is tariff revision, without much reference to the sort of revision. This is very far from being the case; indeed, it is diametrically opposed to the ideas and ambitions of this Committee.

It may be of interest to those who are thinking *pro* and *con* upon this subject to know that we stand firmly opposed to such tariff revision as the country is inevitably going to have if the general interest is not at once safeguarded by sincere protectionists. It is as protectionists that we are working. What we

desire—what we feel confident that we shall eventually obtain—is *right* revision. We wish to record ourselves as being protectionists of the old order, standing true to the original principles of that party of which we are the lineal and loyal descendants. As such, we wish to see American industries protected; but we maintain that the present tariff does not “protect,” but that it prohibits and defrauds.

We make small objection to the three hundred million dollars of tariff revenue that went last year into the Government Treasury, but we make very great objection to the five hundred million dollars or more that went into the pockets of the favored few, who collected the revenue for their personal and private gain, with the connivance and approval of Congress, on products made within the country. We are protectionists—believing, however, that excessive and ill-considered protection breeds irresponsibility and inculcates commercial immorality.

Much importance is attached to the “principle” of a protective tariff. We stand for principle, definitely, persistently and consistently. What, indeed, is the fundamental tariff principle? On what is it based? Why, for example, is the tariff on steel bars \$10.00 per ton? Why is it not \$100.00 or \$1.00? Is there any inherent “principle” involved? If so, of what does it consist?

A leading member of the National Association of Manufacturers once said, in reply to my question as to what constituted the underlying principle in the making of tariff schedules, that he was not aware that any such thing as “principle” existed in connection with the tariff. “Tariff,” he said, “is determined by the resistance of factions.”

The one underlying principle which alone justifies protection is that the schedule shall be such as, all things considered, amply covers the difference between the cost of production in this country and the cost of production abroad, thereby maintaining our high wage scale and standard of living. President Roosevelt and Secretary Taft have so stated it. We know of no other. Has this principle ever been applied, practically, by the so-called tariff legislators in Washington? Nowhere that we can find. On the other hand, there is indubitable proof that most schedules are made in utter disregard of any such principle, and that they have no reference to the difference in cost, however liberally fig-

ured. In many cases they increase this difference between the cost of manufacture at home and that abroad from five to a thousand times. This is according to the statements of the manufacturers themselves.

It is all very well to imagine that to be a Stand-patter is to wear the uniform of loyalty. The little colloquial name appears to imply an inherent fealty. But to what does the wearer of this appellation stand pat? If it is to a concealment of the truth, to commercial chicanery, to legitimate ignorance and perversity, is it a thing to bring credit to himself or to his party? Those stand-pat Congressmen who stood pat for bad meat, for opium in the soothing-syrup and for license for the railroads, may stand pat for the Dingley Tariff; but the Republican who wishes to honor his party and justify himself to his conscience will not do so. A great Republican said not long since that his party could be hurt only by a suppression of the truth, and that "the political leaders who rely wholly upon past greatness, and who try to postpone the consideration of present problems, will deservedly meet defeat at the hands of the American people."

Now, the Committee under discussion has two firmly fixed ambitions: first, to face the great problem of the tariff and save a principle by the consistent use and not the abuse of it; and, second, to think nationally and not sectionally, and in so doing to take thought of the future as well as of the present.

WHAT ARE THE PROBLEMS OFFERED BY THE TARIFF?

They are very numerous, and it is a mistake to suppose that they are all of a material nature. To leave considerations of public morals for the present, however, let us briefly examine the problem offered by the Standard Oil. It is said that this trust, the greatest in the world, is not a creature of the tariff, but that oil is on the free list. It is true that the Dingley Bill places forty-two kinds of oil on the free list, but it provides that, if there be imported into the United States crude petroleum or the products of crude petroleum produced in any country which imposes a duty on petroleum products exported from the United States, there shall in such cases be levied a duty equal to the duty imposed by the country importing.

Now, the only country that is able to ship petroleum and its products into this country, in any considerable measure, is Rus-

sia, which levies a duty on crude petroleum and its products varying from 100 to 200 per cent. The Standard Oil Company, through one of its principal officers, sought to get protection by direct enactment. This was refused. Amenable as Congress is toward trusts and autocratic corporations, it refused to bulwark the Standard Oil with "protection"; but it contrived unostentatiously to insert this proviso, which gives the Oil Trust from three to five times what it would have been happy to get openly. The result is that Americans pay from thirty-seven to sixty per cent. per gallon more for oil than do the Europeans. Were we to try to import oil, we would find it safeguarded by a tax of 150 per cent., or thereabouts. And, meantime, we pay whatever the Standard Oil Company chooses to demand. No "principle" is apparent. There is only caprice—the caprice of a trust, which is embarrassed to know how to spend its money.

There are dozens of trusts profiting in a similar manner by means of the Dingley Tariff. The entire cost of converting beets into sugar, for instance, "including the cost of the beets and all other material used in the operation, *together with the cost of all labor involved*," is only 46½ per cent. of the value of the sugar (Census 1900, vol. 6, part 2, 6, 495.) The average wholesale price in Europe in 1905 was 2.65 cents. In New York it was 5.26 cents, more than double. These trusts hold at a disadvantage the very people who offered them protection. They punish the generosity of their countrymen with extortion, and demand of them a price which they cannot get in any other country in the world.

To illustrate precisely what is meant, let us take the borax trust. The chief deposits of borax in the world are in California; they are the most productive and the most easily worked. The Wilson Tariff had reduced the duty on borax to two cents, and the promoters of the Dingley Bill were of a mind to let it so remain. But a Senator from Nevada was, so to speak, one of the assets of the Pacific Coast Borax Company. He appeared before the tariff-makers with a significant question. "How about borax?" he asked. "Borax?" said the compliant legislators. "Why, to be sure! How negligent of us! What can we do for borax?" The precise reply of the Senator is not known; but it is significant that American borax can be bought abroad for two and one-half cents a pound, and that in American

stores it must be purchased, at retail, at the rate of seven and one-half cents per pound.

Mr. Franklin Pierce, commenting on this, says: "Everything in a trust which is subject to censure is displayed to the best advantage by this combination—increased prices, restricted production, lower prices to foreigners than to Americans, and false and hypocritical pleas that free borax would destroy the borax industry."

I refrain from mentioning by name another very great industry covering a prime necessity of life, which is bitterly opposed to our efforts. Its output in a single State is two hundred millions of dollars. The wage cost in its factories is 25 per cent. of the value of the product. If we include the wage cost of the raw material, it is possibly 40 to 45 per cent. The tariff is from 75 to 135 per cent. Some of the mills are declaring cash dividends of 35 to 45 per cent. The duty on the poor man's requirements is decidedly in excess of that on the rich man's.

This duty, like that on the Standard Oil, is indirect and little known to the Congressmen who voted for it. A single example will illustrate. Congress acted on misinformation to the effect that there is one and one-half pounds of waste for a pound of product. The experts of the Government have determined, by such methods as a Tariff Commission would employ, that there is fifty-two one-hundredths of one pound of such waste. The tariff allows, therefore, three times the proper amount for wastage and creates an enormous discrepancy. The files of the Treasury Department are filled with similar proofs on many schedules. These proofs were made public, but disingenuous beneficiaries later succeeded in having them kept secret on the ground that publicity "would hurt our business."

The cutlery schedules present most vivid inconsistencies:

Value per doz.	Rate of duty per doz.	Per cent. <i>Ad valorem</i> equivalent
3b \$1.00	\$.60 plus \$.40 or \$1.00	100
c 1.25	.60 " .50 or 1.10	88
4a 1.50	1.20 " .60 or 1.80	120
b 2.00	1.20 " .80 or 2.00	100
c 3.00	1.20 " 1.20 or 2.40	80
5a 3.50	3.00 " 1.40 or 4.40	146 $\frac{2}{3}$
b 4.00	3.00 " 1.60 or 4.60	115
c 5.00	3.00 " 2.00 or 5.00	100

A single article under 4a costs 2 cents more than one under 3c, but when the duty is paid it costs 8 cents more. A single article under 5a costs 4 cents more than one under 4c, but, duty paid, it costs 20 cents more.

As will be seen from these illustrations, the duty varies all the way from 80 to 146 per cent. Without any discussion as to whether such enormously high rates of duty are justified, it is self-evident that justification cannot be produced for the irregular fluctuation of the rates, nor for the decline of duty within each class as the value of the article increases. Competent authorities assert that the articles are made in this country as advantageously as abroad, except for the wage cost, which would raise no such difference.

This method of taxation, this graft masquerading as protection, has the effect of extorting from every man and woman a sum of money which belongs by right to the purchaser. Nothing but the unprecedented prosperity of the nation has made it possible for the people to submit, without acute consciousness and extreme financial discomfiture, to this situation. Nothing but the fact of its skilful indirection has kept the people from rising in protest, and sweeping from power the representatives who have made this possible. But this excessive tax is indirect—subtly so. The duties are mysteriously incorporated in the price. The added price adds not a cent to the value, not a mill to the Government, but forever swells the total of the profits of the manufacturers.

In pleasing contrast with a few industries which are doing their utmost to continue the present schedules, and to provide that when we have another Revision it shall be equally unreasonable and unfair, is the position of the great steel manufacturers. Their schedules exceed the total wage cost, although steel is made in this country as cheaply as anywhere in the world. Their cost figures are so low as to tax the credulity of those not informed.

It is little known that the so-called Aldrich Committee, being the committee of the Senate, which worked for months in preparation of a so-called Senate Bill, declared for duties very much less than those finally adopted in the Dingley Bill, so that the best judgment, at that time, of the Senators, who are said now to be the principal upholders of the present Bill, was decidedly against the final enactment. The Senate Bill rated sugars, for instance, one and sixteen one-hundredths of one cent per pound.

The Dingley Bill rates it one and ninety-five one-hundredths of one cent per pound, or sixty-eight per cent. higher. Sugar-cane, rated in the Senate Bill at ten per cent. *ad valorem*, enjoys in the Dingley Bill twenty per cent., an increase of one hundred per cent.

I note another curious instance of tariff-making. President McKinley, then chairman of the Ways and Means Committee, in preparing the McKinley Bill, called in the head of one of the great industries of the country. Congressmen would have us think that they are all-wise on the tariff and they speak of President McKinley as wisest of all. President McKinley said, however, to this gentleman, "I really do not know anything about your schedule, and I must trust you to make it fair." After much care, schedules were submitted to Mr. McKinley and by him recommended to the Ways and Means Committee. The manufacturers put upon the Free List certain products which they were selling to good advantage in Germany and Belgium, the home of foreign competition; but when the Bill was passed, these goods appeared at 60 per cent. *ad valorem*, and the rest of the schedules were so distorted and unreasonable that this gentleman, who has stood at the head of his industry for many years, said that he was never able, and is not able now, to know what rates will be applied on many of the articles.

Upon his elevation to the Presidency, Mr. McKinley said, "Reciprocity Tariff Treaties will be the feature of my administration, and I am confident of success." He was greatly disappointed when the tariff lobby and subservient Congressmen prevented him, the greatest of protectionists, from becoming the greatest of honest and right revisionists.

Our country owes to Secretary of State Root a greater debt than it knows. A most unhappy chapter will some time be written disclosing the utter unfairness with which our customs laws have been applied, the rulings of courts disregarded and foreigners treated otherwise than with that civility and respect which obtains generally among people. Probably nowhere in this country is the utter insincerity, unfairness and incivility of our people in tariff matters so well understood as in the German Consulate in New York. Our people have no conception of the situation. It is a wonder that the foreigner, who finds us personally acceptable, but finds us nationally so uncivil and unreasonable, endures it as

well as he does. The reason is mostly in his knowledge that "we know not what we do."

This German Consulate costs Germany as much as does our entire Bureau of Manufactures in Washington. It undoubtedly knows the European and American cost of every manufactured article we consume; and, if it would open its books to the Ways and Means Committee, that committee would learn more in an afternoon than it will learn in a lifetime, except by the method we now advocate.

Secretary Root's action in the recent German Tariff Agreement evidenced the first measure of civility and reasonableness which we have shown foreign nations in decades. Some of the concessions were concessions of right and honor only. Secretary Root was urged to make those concessions a basis of barter and counter-concession. His reply in substance was, "We do not barter in terms of honor."

Contrast with this the mouthpiece of an organization bitterly opposing any sort of tariff reform, who said, recently: "You must not blame me for the work I am doing; I am hired to do it, and I must earn my living."

We are talking against a present-day situation and speaking of it as no longer endurable. It must be noted with much emphasis that in taking this position, we do not reflect unkindly upon those who now enjoy the benefits of excessive schedules. For the most part those who enjoy the schedules are high-minded men, just as are those who suffer from the same schedules. It would be folly and bad judgment in us to reflect upon them. Every game has its rules, every profession its code, every business its methods. Our ultra-protected friends have played the game according to the rules. They have played it more successfully than others. They have done bigger things, and in some cases our nation is the better for the things they have done; but our proposition is that, as the nation grows, morally, intellectually and commercially, the rules of the game must be altered to meet the new and better conditions. Just as there may be small blame to attach to men at this time for past procedure, there is every sort of objection to be raised against the insistent and continued use of outgrown methods to the general present hurt. As a distinguished stand-pat Senator of the United States said, after a lengthy discussion of this subject, "After all, what was right

ten years ago is not right now." The honor and the manliness of those who enjoy unreasonably high schedules are evidenced delightfully at this time in the measure in which they have signified their willingness to part with their unfair advantage. American business men, after all, are as noble a type of citizen as the world produces, and nobody among them ever wishes to enjoy an unfair advantage once the disadvantage is clearly seen.

Protection is two-edged; the manufacturer must be protected and so must the consumer. This latter fact has been largely overlooked. Combination, in replacing competition, has taken protection away from the consumer. What was right ten years ago is not right to-day. There must be great exactness and care in the making of schedules, that the protection recently taken from the consumer may be again restored.

Briefly and inadequately, this is a statement of the problem of those who would see a sane, honest and sincere tariff revision.

Now as to the method by which they would have this revision made, and the manner in which they would have the interests of American producers and American purchasers safeguarded for the future.

We want a Commission—a perpetual, hard-working Tariff Commission—which will take its honorable place beside the Anthracite Coal Commission and the Interstate Commerce Commission. We are aware of the fact that, under our Constitution, such a Commission can have no power to make schedules (or possibly only slight delegated power, within carefully determined limits), but it should be so authoritative, so well equipped, so fair that, by the very force of its character, it will command the respect of Congress. It will present the facts, and when Congress is once really in possession of the facts, it will act in accordance with them. This Tariff Commission should be as able, as disinterested, as patriotic as wise selection of its members can make it. It should have absolute power to obtain the truth concerning all protected industries. That is to say, it should be empowered to make its findings upon the books of these industries. It would take into consideration the cost of production of a given article, estimate the difference in wages and the variations in standards of living between America and European or Asiatic countries, then sustain a tax for protection when it is needed, but regulate by facts and not by fairy-tales. It would work with the truth

and not with monopolistic fictions. It would take the place of the cutlery manufacturer in Ohio who himself wrote the cutlery schedule; of the little clique of cotton manufacturers in New England who themselves wrote the cotton schedules; of the Congressman who "represents" only the steel interests and absolutely determines the steel schedules; and of all the grafting interests which, each for itself, through the subserviency of Congress, has fastened its own special tax upon an uninformed public. Not the desires of these interests only, but the facts and truth will then determine, and there must and will be that sane and judicial procedure which controls in the other great affairs of business, and is best seen in the procedure of our courts.

We cannot have this Tariff Commission too soon. We cannot see that revision of the tariff is in any way a matter of the calendar. It is never too soon to bring honesty out of dishonesty—never too soon to prevent the misappropriation of money, to check extravagance, or to substitute a fair for an unfair system. Politicians of both parties promise revision in 1909, after the coming Presidential election. By no possibility can that revision be honest and wise, unless a Tariff Commission of the highest character and competency is established in the coming session of Congress.

It took the German Commission five years to revise successfully and scientifically the German Tariff. Each and every interest was considered, each balanced against the others, and all was done with but a minimum of delay. It provided for reciprocal, with maximum and minimum, rates. And, under the provisions of that tariff, Germany made twelve-year Trade Agreements with foreign nations of the greatest consequence to her people, and has made herself at home in every country on the globe, and easily first in the development of world markets. Let us have a Commission composed of men who will approach our tariff problem in the same spirit, realizing that they have to deal with a great economic science, and that back of the abstract science lie the men who will be affected by their acts.

Eventually, every question resolves itself into one of men. It is men whom the statesman must consider—not only the men with whom he is acquainted, but countless thousands whom he will never see. He has not only to consider how his acts will affect the material status of man, but what influence it will have upon

his morals. There is no question but that the cryptic character of our tariff has had a corrupting influence. Incomes such as those enjoyed by many of our tariff-fed trusts cannot be "negotiated" by straightforward means. They are in part the result of a trick—and the trick is played on the people. Many of the people are aware of this, and, as time passes, and their great efforts, their unending industry, produce no results to be compared even very remotely with those of the victorious trusts, they, too, begin to long to be the beneficiaries of some trick. Virtue, so far as they can discover, receives no reward. A sort of contempt attaches to it, indeed; and it follows, almost inevitably, that the honest man comes to look upon his own rectitude as if it were a sort of weakness. He wonders how he can fool the people, what hocus-pocus he can devise that will bring into his pocket a miraculous stream of unearned dollars.

"Our country will never go down in the momentous sweep of battle," says one who has at heart the welfare of this nation, "but it will as surely die from corruption as the moral law pervades the universe, if these conditions continue to exist. In the midst of the whirlwind, now, as in the olden days, is the voice of God; the great soul of the universe is just."

Well, Congress is a part of the universe—and it has a core of justice in it, too. Perhaps it is even a very large and fruitful core, and it may be that, when it understands, it will act upon understanding.

Let us have a Tariff Commission without favor and without fear; a Commission empowered to examine in detail every trust and industry asking for a protective tariff; a Commission which will not seek to confound but to enlighten; a Commission capable of considering national and international needs and ethics. It must, above all, be a Commission that will be able to meet ever-changing conditions. Until a few years ago, our increasing population found an outlet to the West, with land for the asking. The last acre has been taken up, and the sons of those farmers who found free land, and with it made homes and fortunes, lack the opportunities which their fathers enjoyed.

We must make room within our borders for twenty-five million more people, with no more cheap land; and then for another twenty-five million, and then another. We must become an industrial beehive, incomparable in our achievement, and the

highest ability the nation possesses must be brought to bear upon questions of international trade. The world is our field, in common with other nations. We must possess our share of it.

Let us, therefore, have fair and just reciprocity, moderate and honest protection, genuine and equalizing revision. Moreover, let this revision be made by honest and competent friends of protection, who can be counted upon to safeguard the financial interests of the country—those who require protection and depend upon it, who will ask for what they ought to have, and get it; and confess to what they ought not to have and relinquish it.

Great bankers agree that the half-billion dollars of graft added wilfully to tariff schedules and taken from pockets of the consumers by the few ultra-protected interests is a great strain upon our financial system. The few who get this graft use it in speculation, in the control of vast financial institutions, in the building of princely cities and lavish display. On the whole, they use it wisely, but things will be a thousand times better when these hundreds of millions of dollars are left in the pockets of the consumers to be used by them in the lesser and necessary expenditures of life. The total graft in the Dingley Tariff in the ten years of its existence has amounted to not less than five billion dollars, or one-half the total value of all the railroads in the United States, less their bonded indebtedness. It is a drain upon the many that only a marvellous prosperity has enabled them to endure.

The establishment of a Tariff Commission at the coming session of Congress would take the tariff out of politics, preclude any possible unfavorable agitation, permit us to go about our affairs in the usual manner, and, when at last Revision does come, instead of the "monkeying" and "tinkering" of the past, it will be wholly sane and fair.

H. E. MILES.